

Retirement General Overview and Programs/Issues Covered by Retirement

While there is not an annual budget for retirement-related programs or expenses, a significant portion of the State's budget does support, directly or indirectly, the costs of retirement for State employees, public school employees, judges, State Police, and the Legislature.

The Office of Retirement Services administers all of the State's retirement programs, with the exception of the Legislative Retirement System. Links to annual financial reports, valuations, and statutes related to retirement may be found at www.michigan.gov/ors.

Amendments and changes to retirement systems regarding pensions and/or retiree health care, as applicable, can have significant impacts on State and school budgets. The defined benefit pension benefits in the State Employees' Retirement System, the Judges' Retirement System, and the Legislative Retirement System all were closed to new hires in 1997, replaced with defined contribution, 401k plans, and retiree health care has been eliminated for new SERS and LRS hires. The pension side of the Michigan Public School Employees' Retirement System (MPERS) was changed to a hybrid plan beginning in 2010, and retiree health care was eliminated for new hires in 2012. Where retiree health care was eliminated, it was replaced with deposits into 401k-type accounts.

Other recent changes include the prefunding of retiree health care benefits in the State Employees' and in the School Employees' retirement systems, which required large infusions of deposits in the early years with an anticipation of lowered costs in the future. This raised the State cost of funding the plan, but again, with the hope that investment returns will lower the long-term costs to employers.

The State does not participate in retirement systems for local units of government, other than those locals covered by the Michigan Public School Employees' Retirement System. MPERS' employers include public schools, intermediate school districts, participating charter schools, all 28 community colleges, participating libraries, and the covered employees remaining at the seven universities that closed out of the plan in 1996.